

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

Financial Statements
and
Independent Auditor's Report

June 30, 2019

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Grady County Criminal Justice Authority

Report on the Financial Statements

We have audited the accompanying financial statements and related notes to the financial statements of Grady County Criminal Justice Authority as of and for the year ended June 30, 2019, which collectively comprise the Grady County Criminal Justice Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Authority's employees are provided with defined benefit pensions through a cost-sharing multiple-employer plan. For years beginning after June 15, 2014, accounting principles generally accepted in the United States of America require employers participating in cost-sharing plans to recognize their proportionate share of the collective pension amounts for all benefits provided through the plan, which would create a net pension liability in the financial statements and affect the amount of pension expense recognized each year. Management has elected not to implement the pension reporting standards promulgated by the Government Accounting Standards Board (GASB). The amounts by which this departure would affect the liabilities, net position and expenses of the Authority have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Grady County Criminal Justice Authority as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2021 on our consideration of the Grady County Criminal Justice Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grady County Criminal Justice Authority's internal control over financial reporting and compliance.



Duncan, Oklahoma
February 8, 2021

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
Statement of Net Position
June 30, 2019

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 3,731,099
Accounts Receivable	1,126,966
<i>Total Current Assets</i>	<u>4,858,065</u>

Capital Assets

Facilities Leasehold, Net	12,856,664
Property and Equipment, Net	5,015,106
<i>Total Capital Assets</i>	<u>17,871,771</u>

Restricted Cash

Commissary and Phone Revenue Cash	321,806
Debt Reserve, Repair and Replacement Cash	2,023,396
Inmate Trust Fund Cash	165,381
<i>Total Restricted Cash</i>	<u>2,510,583</u>

Total Assets 25,240,419

Deferred Outflows

Unamortized Debt Refunding Cost	<u>684,937</u>
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Total Assets and Deferred Outflows \$ 25,925,356

LIABILITIES

Current Liabilities

Accounts Payable-Operating	\$ 154,009
Accounts Payable-Construction	690,501
Accrued Payroll and Vacation	131,589
Inmate and Commissary Payable	120,133
Accrued Note Interest Payable	53,429
Current Portion 2018 Revenue Refunding Note	562,978
<i>Total Current Liabilities</i>	<u>1,712,639</u>

Long-Term Liabilities

2018 Revenue Refunding Note, Net of Current Portion	14,442,811
<i>Total Liabilities</i>	<u>16,155,450</u>

NET POSITION

Invested in Capital Assets, Net of Related Debt	2,865,982
Unrestricted	4,513,474
Restricted for Debt Service	2,023,396
Restricted for Inmate Services	367,054
<i>Total Net Position</i>	<u>9,769,906</u>

Total Liabilities and Net Position \$ 25,925,356

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2019

Operating Revenues

Incarceration Services	\$ 9,854,322
Inmate Transportation and Guard	412,149
Telephone and Commissary Commission	536,793
Other	5,321
<i>Total Operating Revenues</i>	<u>10,808,585</u>

Operating Expenses

<u>Inmate Services</u>	
Meals	531,134
Medical and Dental (Net of reimbursements)	770,590
Transportation	79,393
Jail Property and Supplies	293,084
	<u>1,674,201</u>
<u>Personnel</u>	
Salaries and Wages	3,437,375
Benefits and Taxes	1,364,959
Insurance Reimbursements	(90,420)
Uniforms, Training, Other	50,610
	<u>4,762,523</u>
<u>Facilities and Administration</u>	
Utilities & Communication	229,600
Insurance	258,362
Technology	78,153
Professional Fees	25,266
Equipment Rental	10,453
Maintenance & Repairs	181,294
Office Expense	48,927
Bad Debts	322
Depreciation	169,955
Leasehold Amortization	575,672
Interest Expense	905,668
Loan Origination Expense	202,249
Other	10,547
	<u>2,696,467</u>
<i>Total Operating Expenses</i>	<u>9,133,192</u>
<i>Operating Revenues Less Expenses</i>	1,675,393

Non-Operating Revenues and Gains (Losses)

Investment Return	77,107
Realized Gain (Loss) on Investments	(2,616)
Gain on Sale of Property	4,320
	<u>78,811</u>
<i>Increase (Decrease) in Net Position</i>	<u>1,754,204</u>
<i>Net Position at Beginning of Year</i>	8,015,702
<i>Net Position at End of Year</i>	<u>\$ 9,769,906</u>

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
Statement of Cash Flows
Year Ended June 30, 2019

Cash Flows from Operating Activities

Cash Receipts for Inmate Services	\$ 11,237,777
Cash Payments to Employees for Services	(3,392,098)
Cash Payments for Other Personnel Expenses	(1,295,497)
Cash Payments for Interest	(1,009,078)
Cash Payments to Other Suppliers of Goods or Services	<u>(2,998,772)</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	2,542,331

Cash Flows from Capital and Related Financing Activities

Increase to Restricted Cash	551,157
New Loan Proceeds	16,000,000
Loan Principal Repayment	(994,211)
Bond Prepayment Fee	(500,250)
Bond Principal Repayment	<u>(16,970,000)</u>
<i>Net Cash Provided by (Used in) Financing Activities</i>	(1,913,304)

Cash Flows from Investing Activities

Purchase of Property and Equipment	(3,397,651)
Sale of Property and Equipment	4,320
Deposits and Investments Interest	77,107
Sale of Investments	<u>705,183</u>
<i>Net Cash Provided by (Used in) Investing Activities</i>	<u>(2,611,041)</u>
<i>Net Increase (Decrease) in Cash & Cash Equivalents</i>	(1,982,013)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>5,713,113</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 3,731,100</u></u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by Operating Activities:**

Operating Revenues Less Expenses	\$ 1,675,393
Adjustments to reconcile operating income to net cash:	
Facilities Lease Amortization	575,672
Depreciation	169,955
Decrease in Accounts Receivable	187,959
Decrease in Accounts Payable and Accrued Expenses	(117,131)
Amortization of Bond Discount	9,339
Amortization of Refunding Loss	<u>41,145</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ 2,542,331</u></u>

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

Notes to Financial Statements

Year ended June 30, 2019

Note 1: Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting and, accordingly, include all significant receivables, payables and other liabilities (Except for recognition of certain pension amounts as described in the Independent Auditor's Report). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Financial Reporting Entity

The Grady County Criminal Justice Authority (GCCJA) is a beneficial public trust created under the authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 2001, Sections 176-180.3, inclusive, as amended, and the Oklahoma Trust Act on August 12, 2002 for the use and benefit of Grady County, Oklahoma (Beneficiary). The purpose of the GCCJA is to operate and maintain buildings and facilities for public use or benefit, including jail facilities in Grady County, Oklahoma. The GCCJA began operating the jail facilities in December 2002. Operating revenues consist of incarceration fees and other service revenues related to operation of the correctional facilities.

The GCCJA is authorized, for the advancement of public purposes, to issue revenue notes and bonds to construct, improve, equip or acquire buildings, facilities or utilities which may be for the benefit of the Beneficiary County or for any other purpose which may enhance the accomplishment of the GCCJA's purposes. In no event do any bonds or other indebtedness of the GCCJA constitutes a debt of the State of Oklahoma, or of Grady County, but shall be paid solely from the Trust Estate. The GCCJA has no taxing authority.

Basis of Presentation

The financial statements display information about the reporting entity as a whole. They include all funds of the reporting entity. These statements generally distinguish between governmental and business-type activities. All activities of the Authority are business-type, and accounted for as a Proprietary Fund. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Proprietary Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Measurement Focus and Basis of Accounting

Measurement focus refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. In the financial statements, the business-type activities are presented using an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Operating revenues are those derived in the business-type activities of operating the detention center. Proprietary fund equity is classified as net position.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

Notes to Financial Statements

Year ended June 30, 2019

Assets, Liabilities and Net Position

Cash and Cash Equivalents - For the purpose of the statement of cash flows, the Authority considers all demand deposit accounts, interest bearing checking accounts and time deposits accounts including certificates of deposit and U.S. Treasury bills, (all of which are allowable investment types) with maturities of three months or less to be cash and cash equivalents, with the exception of restricted cash.

Accounts Receivable - Include amounts receivable from various agencies for services rendered. The Authority has established an allowance for doubtful accounts receivable to recognize the estimated uncollectible accounts.

Investments - Investments are carried at fair value. The increase or decrease in fair value during the year is reported as unrealized gain(loss) in the statement of revenues, expenses and changes in net position. Investments are governed by the Board of Trustees and any restrictions in the Trust indenture, which permits all types of investments. The Board has not formally adopted deposit and investment policies that limit the Authority's allowable deposits or investments (including custodial credit risk on deposits) and address the specific types of risk to which the Authority is exposed.

Equity Classifications - Equity is classified as net position and displayed according to three types of components:

Invested in capital assets, net of related debt
Restricted
Unrestricted

Estimates

The preparation of financial statements and disclosures requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: Long-term Obligations and Facilities Lease

2012 Revenue Refunding Bonds - On February 1, 2012, the Grady County Criminal Justice Authority issued Series 2012 Revenue Refunding Bonds (2012 Bonds) in the amount of \$18,310,000 which were sufficient to retire all outstanding correctional facilities debt previously issued by Grady County Industrial Authority. The 2012 Bond indenture required semi-annual payment of interest on May 1 and November 1, and principal reduction annually on November 1. Interest was fixed at seven percent, with final maturity on November 1, 2041. From July 1, 2018 through November 1, 2018 GCCJA paid \$ 593,950 interest on the outstanding 2012 Bonds. (As explained below, the remaining \$16,970,000 2012 Bonds were retired on November 1, 2018 primarily with proceeds from the Grady County Criminal Justice Authority 2018 Revenue Refunding Note.)

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

Notes to Financial Statements

Year ended June 30, 2019

Facilities Lease - In connection with the 2012 GCIA debt refunding and issuance of 2012 Bonds, the GCCJA obtained the exclusive right to possess and enjoy the detention center facilities through October 2041 and so long as any part of the indebtedness were outstanding. Costs assigned to obtaining the right to exclusive use of the property were capitalized as the Facilities Leasehold, reflected in the Statement of Net Position:

Facilities Leasehold, Cost	\$17,126,228
Less Accumulated Amortization	<u>(4,269,564)</u>
Facilities Leasehold, Net	<u>\$12,856,664</u>

The leasehold is being amortized over the life of the lease under the straight-line method, which resulted in expense of \$575,672 during the year ended June 30, 2019.

A new facilities lease agreement between GCCJA and Grady County stating agreed terms of the new borrowing and related pledge of assets arising from the 2018 Revenue Refunding Note was executed on November 1, 2018.

2018 Revenue Refunding Note - On November 1, 2018 GCCJA executed the Grady County Criminal Justice Authority Revenue Refunding Note, Series 2018 (2018 Note) in the amount of \$16,000,000 to secure funds toward early retirement of the 2012 Bonds. The 2018 Revenue Refunding Note is considered a note from direct borrowing as defined by Governmental Accounting Standards.

The Indenture for the Grady County Criminal Justice Authority 2018 Revenue Refunding Note provides for 239 consecutive monthly installments payable on the 1st day of each month commencing on December 1, 2018 and a final installment of all unpaid principal and interest due November 1, 2038. Interest is calculated by taking the five year US Treasury note rate at the time of closing plus two hundred twenty five basis points and multiply the rate by 1 - corporate tax rate at the time of closing or the adjustment period plus thirty five basis points which yields the current rate for the following five years. The interest rate will be adjusted on every fifth anniversary of the closing date, November 1, 2018. Assuming the current rate of 4.42%, Debt service requirements are as follows:

Year Ended	Interest	Principal	Total
2020	\$ 650,031	\$ 562,978	\$ 1,213,009
2021	626,630	586,379	1,213,009
2022	600,180	612,829	1,213,009
2023	572,538	640,471	1,213,009
2024	545,138	667,871	1,213,009
2025-2029	2,238,727	3,826,319	6,065,046
2030-2034	1,293,910	4,771,136	6,065,046
2035-2034	200,139	3,337,805	3,537,944
	<u>\$ 6,727,293</u>	<u>\$ 15,005,789</u>	<u>\$ 21,733,081</u>

GCCJA has assigned and pledged the Facilities Lease and any interest of Authority in the facilities and any interest of Authority in the personal property, improvements and fixtures constituting the facilities, including certain real estate owned, along with pledge of all criminal justice revenues and any other revenue generated by the Authority as security for payment of the principal and interest on the 2018 Note. Property and equipment pledged has a cost basis of \$4,638,757 and a depreciated book basis of \$4,473,067.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

Notes to Financial Statements

Year ended June 30, 2019

Changes in long-term obligations for the year ended June 30, 2019 are as follows:

	Balance 6/30/18	Increases	Decreases	Balance 6/30/19	Due within One year
2012 Bonds	\$ 16,970,000	\$	\$ 16,970,000	\$ 0	\$ NA
2018 Note	0	16,000,000	994,211	15,005,789	562,978
Total	\$ 16,970,000	\$ 16,000,000	\$ 17,964,211	\$ 15,005,789	\$ 562,978

The 2018 Note from direct borrowing of \$15,005,789 contains a provision that upon the occurrence of an event of default, and as long as such event is continuing the Bank may by notice in writing declare the outstanding principal and accrued interest immediately due and payable.

Note 3: Property and Equipment

Property and equipment consists of transport equipment, land, buildings, building improvements and other equipment used in the detention center. Assets are depreciated using the straight-line method, over estimated useful lives of five to twenty years. GCCJA capitalizes items of property and equipment when the cost is at least \$5,000; smaller items are expensed as purchased.

	6/30/18	Additions	Sales	6/30/19
Transport and Equipment	\$ 668,495	\$ 373,615	\$ (9,800)	\$ 1,032,310
Facility Improvements	112,287	0	0	112,287
Buildings in Service	139,813	0	0	139,813
Buildings not in Service	0	21,970	0	21,970
East Unit Construction	460,973	3,472,363	0	3,933,336
Land in Service	150,942	0	0	150,942
Land not in Service	0	60,557	0	60,557
	<u>1,532,510</u>	<u>3,928,505</u>	<u>0</u>	<u>5,451,215</u>
Accumulated Depreciation	(275,953)	(169,955)	9,800	(436,108)
	<u>\$ 1,256,557</u>	<u>\$ 3,758,550</u>	<u>\$ 0</u>	<u>\$ 5,015,107</u>

Note 4: Restricted Cash

Restricted Cash, stated at \$2,510,583, consists of the following:

Inmate Trust Fund Cash - Authority administers a separate deposit account to receive and disburse inmate funds while incarcerated (Inmate Trust Fund). Authority contracts with an outside vendor to fulfill inmate commissary needs. Inmate trust fund cash of \$165,381 is presented as restricted cash, and the related Inmate and Commissary Payable of \$111,223 is included in current liabilities on the Authority's statement of net position. Monies received from and paid to inmates or the commissary provider through the inmate trust fund account are not reflected in the cash flow statements or recognized as income or expense by the Authority.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

Notes to Financial Statements

Year ended June 30, 2019

Commissary and Phone Revenue Cash - Commissions earned from inmate commissary and telephone charges must be spent on inmate services; the balance of restricted commissary and phone revenue cash was \$321,806 as of June 30, 2019.

Debt Reserve, Repair and Replacement Cash - Pursuant to requirements of the 2018 Revenue Refunding Note Indenture, GCCJA placed \$1,600,000 and \$400,000 in two money market accounts for Note Fund Reserve Account and Repair and Replacement Fund, respectively. The money market accounts bear interest at less than one percent.

Management applies discretion in whether to first apply restricted cash or unrestricted cash when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Note 5: Debt Refunding Cost

The costs associated with issuance of new debt to repay previously issued debt are recorded as a deferred outflow of resources in the statement of net position. GCCJA incurred costs of \$500,250 and \$225,832 for bond prepayment fee and remaining unamortized discount, respectively, related to the 2012 Bonds for a total of \$726,082. The resulting loss from debt refunding is recognized as a deferred outflow in the financial statements; the deferred outflow represents the cost of interest savings to be obtained in the future by substituting the new interest rate for the old interest rate. The cost is allocated to future periods as a component of interest expense over the life of the new debt, which is twenty years. For the year ended June 30, 2019, \$41,145 of the debt refunding cost was amortized into interest expense, leaving the stated balance of \$684,937 as of June 30, 2019.

Note 6: Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At June 30, 2019, the balances on deposit with financial institutions totaled \$5,778,043 and of that amount, \$662,553 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$3,007,077 was collateralized with securities pledged in the name of the pledging financial institution. The remaining \$2,108,414 was uninsured and uncollateralized. Management believes the deposits are placed with high quality financial institutions and the risk of loss is minimal.

Note 7: Related Organizations

The GCCJA is related to Grady County, Oklahoma as the primary beneficiary of the Authority. GCCJA leases and occupies facilities owned by Grady County, Oklahoma. The revenues of the facilities are pledged on the 2018 Series Revenue Refunding Note.

During June 2016, GCCJA Board of Trustees authorized formation of a separate entity, incorporated in the State of Oklahoma, to facilitate the submission of an application for financing to United States Department of Agriculture. There were no assets or activity in the Grady County Criminal Justice Corporation for the year ended June 30, 2019.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

Notes to Financial Statements

Year ended June 30, 2019

Note 8: Retirement Plan

Authority has elected to participate in the Oklahoma Public Employees Retirement System (OPERS), which is a defined benefit retirement plan for state and local government employees. The plan is qualified under section 401(a) of the Internal Revenue Code and participation is mandatory for all eligible employees. An employee is eligible upon employment and expected to work at least 1000 hours per year.

The Authority, through Board resolution, has elected to make employer contributions of 15 percent of gross wages and require employee contributions of 5 percent of gross wages during fiscal year 2018-2019. Employer contributions for the current and prior two years are as follows:

<u>Year Ended</u>	<u>Required Contribution Rate</u>	<u>Amount Contributed</u>
June 30, 2019	15.0 %	\$465,782
June 30, 2018	11.5%	325,060
June 30, 2017	16.5%	408,366

The Authority has been informed by OPERS there is a potential liability for additional contributions resulting from a failure to make payments into the system on behalf of employees in the initial stages of their employment during the years 2003 through 2013. The potential amount due cannot be reasonably estimated at this time.

Plan financial reports and additional plan information, including the Authority's proportionate share of pension liability, may be obtained by contacting Oklahoma Public Employees Retirement System at P.O. Box 53007, Oklahoma City, OK 73152-3007, by calling OPERS at (800) 733-9008, or online at www.opers.ok.gov.

Note 9: Concentrations

Approximately ninety percent of incarceration revenues for the law enforcement center are derived from contracts with the federal government. If the federal government were to withdraw federal inmates from the facilities, it would severely impact the operations of the law enforcement center; however, management believes the need for federal inmate housing will remain constant.

Note 10: Subsequent Events and Commitments

Subsequent events were evaluated through February 8, 2021, which is the date the financial statements were available to be issued.

In July 2019, the new east unit construction project was completed and opened to house approximately 180 additional inmates. Construction began in May 2018 and was completed in July 2019. Total cost to complete the new building project was approximately \$4,360,000, of which \$3,933,336 was incurred prior to June 30, 2019; at that date, GCCJA was committed on contracts for the remaining completion costs of approximately \$427,000.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

Notes to Financial Statements

Year ended June 30, 2019

Note 11: Risk Management

GCCJA is subject to risk of general liability related to detention center operations and facilities; property and liability insurance coverage is purchased through the Association of County Commissioners of Oklahoma Self-Insurance Group (ACCO-SIG). Policy deductibles are \$50,000 per claim, with a maximum deductible of \$100,000 per year. In addition to policy premiums, GCCJA may be required to submit a deposit against potential claims each year; however, all payments to ACCO-SIG for insurance premiums and deductibles are reflected as insurance expense in the Statement of Revenues, Expenses and Changes in Net Position because the deductible funding is not refundable.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Grady County Criminal Justice Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Grady County Criminal Justice Authority, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Grady County Criminal Justice Authority's basic financial statements, and have issued our report thereon dated February 8, 2021.

Our opinion on the financial statements was qualified because management has elected not to adopt accounting standards for pensions that require employers to recognize their proportionate shares of collective pension amounts resulting from participation in cost-sharing multiple-employer retirement plans.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grady County Criminal Justice Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grady County Criminal Justice Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Grady County Criminal Justice Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist and not be identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grady County Criminal Justice Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Duncan, Oklahoma
February 8, 2021